

\$1,000 next month—it will have an immediate negative impact on our economy. It will halt our still fragile recovery in its tracks and drag us back into a recession.

We all know Congress cannot afford to play chicken with the economy. That is why Democrats are committed to passing the tax cut. Republicans need to be prepared to meet us part way. We are offering a serious proposal with meaningful concessions, including spending cuts to which Republicans have already agreed.

The scaled-back, temporary tax on the very richest Americans—a group with an average income of \$3 million a year—is also an attempt to get Republicans onboard to pass what they say they want to do. We know a few of them said publicly that they are open to asking millionaires and billionaires to contribute to our economic recovery. I was happy to see those press reports. I hope we have the courage to vote accordingly, as one Republican did last Thursday. One Republican voted the right way.

I repeat, this is a serious proposal and the Republicans should take it seriously. Here is why: Americans, regardless of political affiliation, say they wholeheartedly support the Democrats' plan to cut taxes for middle-class families. Fifty-eight percent of Republicans agree we should extend payroll tax cuts for 160 million American workers. Further, Americans overwhelmingly support our proposal to have millionaires and billionaires pay their fair share to help this country. Americans from every corner of the country agree. Democrats, Republicans, and Independents agree. When asked if they support a plan that would require people making more than \$1 million to contribute a little more to ensure this country's economic success, the results were decisive: 75 percent, or three-quarters of Americans, said yes. Wealthy Americans agree. Two-thirds of people making more than \$1 million said they would gladly contribute more. A supermajority of Republicans agrees, with two-thirds supporting the idea. Even a majority of 52 percent of members of the tea party agree. It seems the only place in the country they cannot find a majority of Republicans willing to speak up for sacrifice are Republicans in the U.S. Senate. Republicans across the country support our plan and the way to pay for it. Republicans in Congress dismiss it at their peril. I repeat, Republicans dismiss this at their peril. The American people are watching what my Republican colleagues will do.

Mr. President, will the Acting President pro tempore be so kind as to introduce the business of the day.

#### RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

#### MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will be in a period of morning business until 4:30 p.m., with Senators permitted to speak therein for up to 10 minutes each.

Mr. REID. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MCCAIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. BLUMENTHAL). Without objection, it is so ordered.

#### JOINT STRIKE FIGHTER

Mr. MCCAIN. Last week, AOL Defense published an interview with VADM David J. Venlet, who heads up the Lightning II Joint Strike Fighter Program for the Department of Defense. In this interview, Admiral Venlet candidly offered his concerns about where the Joint Strike Fighter Program stands today. His professional judgment, while welcome in its forthrightness, is deeply troubling. His concerns, which I share, are what bring me to the floor this afternoon.

I ask unanimous consent to have printed in the RECORD a copy of Admiral Venlet's remarks as contained in the AOL Defense article entitled "JSF's Build and Test Was 'Miscalculation,' Adm. Venlet Says; Production Must Slow."

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From AOL Defense, Dec. 1, 2011]

JSF'S BUILD AND TEST WAS 'MISCALCULATION,' ADM. VENLET SAYS; PRODUCTION MUST SLOW

(By Richard Whittle)

WASHINGTON.—Fatigue testing and analysis are turning up so many potential cracks and "hot spots" in the Joint Strike Fighter's airframe that the production rate of the F-35 should be slowed further over the next few years, the program's head declared in an interview.

"The analyzed hot spots that have arisen in the last 12 months or so in the program have surprised us at the amount of change and at the cost," Vice Adm. David Venlet said in an interview at his office near the Pentagon. "Most of them are little ones, but when you bundle them all up and package them and look at where they are in the airplane and how hard they are to get at after you buy the jet, the cost burden of that is what sucks the wind out of your lungs. I believe it's wise to sort of temper production for a while here until we get some of these heavy years of learning under our belt and get that managed right. And then when we've got most of that known and we've got the management of the change activity better in hand, then we will be in a better position to ramp up production."

Venlet also took aim at a fundamental assumption of the JSF business model: concurrency. The JSF program was originally structured with a high rate of concurrency—

building production model aircraft while finishing ground and flight testing—that assumed less change than is proving necessary.

"Fundamentally, that was a miscalculation," Venlet said. "You'd like to take the keys to your shiny new jet and give it to the fleet with all the capability and all the service life they want. What we're doing is, we're taking the keys to the shiny new jet, giving it to the fleet and saying, 'Give me that jet back in the first year. I've got to go take it up to this depot for a couple of months and tear into it and put in some structural mods, because if I don't, we're not going to be able to fly it more than a couple, three, four, five years.' That's what concurrency is doing to us." But he added: "I have the duty to navigate this program through concurrency. I don't have the luxury to stand on the pulpit and criticize and say how much I dislike it and wish we didn't have it. My duty is to help us navigate through it."

Lockheed Martin, prime contractor on the Pentagon's biggest program, has been pushing hard to increase the production rate, arguing its production line is ready and it has reduced problems on the line to speed things up. Speeding up production, of course, would boost economies of scale and help lower the politically sensitive price per plane.

But slowing production would help reduce the cost of replacing parts in jets that are being built before testing is complete, Venlet said. Although fatigue testing has barely begun—along with "refined analysis"—it's already turned up enough parts that need to be redesigned and replaced in jets already built that the changes may add \$3 million to \$5 million to each plane's cost.

The price of the F-35, being built by Lockheed Martin Corp. in three variants, has averaged roughly \$111 million under the most recent Low Rate Initial Production (LRIP) Lot 4 contract.

The required changes to the aircraft aren't a matter of safety or of the F-35's ability to perform its missions, Venlet said. They're necessary, though, to make sure the plane's structural parts last the 8,000 hours of service life required. Nor are the weaknesses surprising in the world of fighter jets, he added. The discoveries are "not a quote 'problem with the airplane,'" Venlet said. "It's a fighter made out of metal and composites. You always find some hot spots and cracks and you have to go make fixes. That's normal. This airplane was maybe thought to be a little bit better, wouldn't have so much discovery. Well, no. It's more like standard fighters."

Venlet declined to say how much he thinks production should be slowed. Earlier plans called for the Pentagon to order 42 F-35s in fiscal 2011, but that was cut to 35 and more recently it was dropped to 30. Previous plans, which Venlet's comments and the unprecedented pressure to cut the defense budget make clear will change, had been to ramp up orders to 32 in fiscal 2012, 42 in fiscal 2013, 62 in fiscal 2014, 81 in fiscal 2015 and 108 in fiscal 2016 before jumping to more than 200 a year after fundamental fatigue and flight testing is done.

Officially the "Lightning II," the F-35 is a stealthy attack jet Lockheed is building with major subcontractors Northrop Grumman Corp. and BAE Systems for the Air Force, Navy, Marine Corps and II allied nations. There is a conventional take off and landing (CTOL) version, an aircraft carrier-suitable (CV) model and a short takeoff/vertical landing (STOVL) jump jet that hovers and lands much like a helicopter. The U.S. services alone are scheduled to buy 2,443 to replace a variety of older fighters, making the \$379 billion program the Pentagon's largest.

Venlet's comments address a key issue in negotiations between the government and

Lockheed for the next contract, LRIP 5. The government paid for design changes and retrofits through the first four lots, but Pentagon acquisition chief Frank Kendall issued a memo in August requiring Lockheed to bear a "reasonable" share of such costs in LRIP 5. Lockheed complained last month that the government was refusing to reimburse it for parts the company was buying in advance for LRIP 5 aircraft as the price and terms of that next production contract are negotiated.

"We negotiated the LRIP 4 contract with a certain amount of resources considered to pay for concurrent changes," Venlet said. "We were probably off on the low side by a factor of four. Maybe five. And we've discovered that in this calendar year, '11, and it's basically sucked the wind out of our lungs with the burden, the financial burden." On top of that, he added, the cost of concurrency changes figures to grow as more testing is done—one reason it's important to slow production rather than testing.

"Slowing down the test program would be probably the most damaging thing anybody could do to the program," Venlet said. "The test program must proceed as fast as possible."

Flight testing of the F-35, though going extremely well lately, is only 18 percent complete, Venlet said. As of Nov. 29, 1,364 test flights had been flown—896 of them in the past 10 months, despite two stoppages of a couple of weeks each to fix problems found by flying. Under a new program baseline created after the JSF project breached cost limits under the Nunn-McCurdy law, about 7,700 hours of flight tests are planned. "That's a lot," Venlet said, adding that number will grow if more problems are found.

Fatigue testing has barely begun, Venlet said. The CTOL variant's fatigue testing is about 20 percent complete; the CV variant has not started yet. For the STOVL variant, fatigue testing was halted at 6 percent last year and has not resumed after a crack in a large bulkhead in the wing was found, requiring a major redesign of that part.

That bulkhead crack was one of five discoveries in the F-35B that required engineering changes, one reason former Defense Secretary Robert Gates placed it on "probation" last January and said the Marine's plane should be canceled if the problems weren't solved within two years. Venlet repeated earlier statements that he was sure the changes needed to take care of the problems are now in place, though he wants to await final testing of them this winter before saying it's time for the jump jet to come off of probation.

After discovering the bulkhead crack in the B variant last year, Venlet explained, "We said, 'Well, where else do we need to look?' The fallout of that additional analysis has revealed additional spots that (may fail in) less than 8,000 hours of service life. We call them 'analyzed low-life hot spots.'" In other words, he said, engineering analysis indicates those spots "are going to crack" well before the parts in question have flown 8,000 hours.

"The question for me is not: 'F-35 or not?'" Venlet said. "The question is, how many and how fast? I'm not questioning the ultimate inventory numbers, I'm questioning the pace that we ramp up production for us and the partners, and can we afford it?"

Mr. MCCAIN. Mr. President, I will briefly summarize the history of the Joint Strike Fighter Program that has taken us where we are today.

In a nutshell, the Joint Strike Fighter Program has been both a scandal and a tragedy. The JSF Program has been in the development phase for 10

years. Over that time, it has been the beneficiary of an estimated \$56 billion of taxpayer investment. Yet after so much time and so great an investment by the taxpayers, we still don't have an aircraft that provides the Air Force, Navy, and Marine Corps with the combat capability they need. In fact, flight testing sufficient to demonstrate the full mission systems and weapons delivery capability of F-35 aircraft has not even started. At this point, this most advanced phase of flight testing won't begin any sooner than 2015.

Developing and buying these aircraft and building the facilities to support them was originally supposed to cost \$233 billion. However, according to the April 2011 Government Accountability Office report on the Joint Strike Fighter, these costs are now estimated to be closer to \$383 billion. Let me repeat that. The original cost was estimated to be \$233 billion. Now it is estimated to be \$383 billion. That is an increase of some \$150 billion of the taxpayers' money. This increase in total development and acquisition costs will only get worse when the Department announces a new baseline cost estimate, which resulted from a second restructuring of the program over the last 2 years.

Overall, the schedule for the end of the development phase and start of full-rate production has slipped 5 years since the current baseline was set in 2007, and it is now planned for 2018. I want to point out that during this period of time, the manufacturer, Lockheed Martin, has continued to make record profits. In fact, they just announced their third-quarter profits to be \$700 million. Here is the manufacturer that was supposed to build an aircraft that was going to cost \$233 billion, and now it is estimated at close to \$383 billion—a \$150 billion increase—and it is well known now that there will be significant cost increases to follow in light of the production manager, Admiral Venlet's remarks.

In 2001, 10 years ago, the Department of Defense told Congress that the Joint Strike Fighter would cost about \$69 million per aircraft. But according to the GAO's report from April, the cost of each F-35 aircraft has now risen to about \$133 million per plane. Including the cost of research, development, and testing across the entire program, the unit cost of each individual aircraft goes up to \$156 million. In inflation-adjusted dollars, that is about double the original 2001 estimate. Unfortunately, we know that the estimate will go up substantially when the Pentagon releases its latest projections, with the costs of restructuring the program factored in and a new cost baseline is established for the program.

As if these costs of developing and buying the aircraft were not high enough, the Pentagon now estimates that operating and sustaining these new aircraft may cost as much as \$1 trillion over their planned service life. Thankfully, I think we have reason to

believe this jaw-dropping number may be artificially high and can be reduced. But keep in mind that the rule of thumb is that the cost of developing and buying a major weapons system tends to be about one-third of its total cost; the other two-thirds is in operating and sustaining it. So with the development and procurement costs of the F-35 already approaching \$400 billion, it would not be unreasonable to expect sustainment costs of about \$800 billion over the F-35's lifespan. That amounts to about a \$1.2 trillion investment of taxpayer resources, which makes the F-35 the most expensive weapons program in history.

Over the nearly 10-year life, so far, of the F-35 program, Congress has authorized and appropriated funds for 113 of these weapons systems, but as of today the program has delivered just 18 aircraft, most of which are being used for flight testing. The first production aircraft intended for training just started to be delivered this summer—3 years late.

In July, the numbers came in on how much these early production model jets will cost compared to original estimates. That was a shocking \$1 billion over the original estimate of about \$7 billion. Under the cost-plus contracts for these early production aircraft, taxpayers will be on the hook for \$771 million to cover their share of this cost overrun for these first 28 aircraft. Let me repeat that taxpayers of America are now on the hook for \$771 million in cost overruns to cover their share for the first 28 aircraft, and Lockheed Martin will absorb the cost of \$283 million. Maybe that helps you understand why Lockheed Martin, in the third quarter of this year, has been able to announce a profit of some \$700 million. The cost of the first 28 is a 15-percent cost overrun when you total everybody's share. So for about \$8.1 billion, we get 28 aircraft at a cost per aircraft of about \$289 million.

Just last week, we learned that the costs associated with the fourth lot of these early production aircraft may be as high as 10 percent over that contract's \$3.46 billion target cost. That is a \$350 million overrun, with only about 40 percent of the work completed to date. That tells us that the costs of the program have still not been contained despite 2 years of very concentrated effort by the Pentagon to bring costs under control, knowing the future of the program hangs in the balance.

This brings us to where we are today and the context of Admiral Venlet's remarks. The Pentagon has recently completed its analysis of how much the next lot—the fifth lot—of early production aircraft "should cost" and is negotiating with Lockheed Martin on who will bear the cost of changes to the design and manufacturing of the aircraft that could result from thousands of hours of flight testing that lie ahead.

It is at this exact moment that the excessive overlap between the development and production that was originally structured into the JSF Program—called concurrency—is now coming home to roost. It means that you deliver aircraft to the owners—in this case, the Air Force—and at the same time continue testing. That is something we warned against over and over as not having worked, but it was done in order to make an effort to have some semblance of their schedule being adhered to of delivery of aircraft. Lockheed Martin doesn't want to bear the risk of new discoveries that may require retrofit or redesign of the aircraft.

Based on the in-depth studies the Department has conducted to date, Admiral Venlet told the publication AOL Defense last week that the Joint Strike Fighter Program needs to slow down production and deliveries of the aircraft. He explained that this was necessary to open the aircraft and install fixes to numerous structural cracks and "hot spots" the program has discovered in the plane in the last year or so. He estimated that the work needed to remedy these cracks could add an additional \$3 million to \$5 million per aircraft.

Bear in mind that this revelation comes on top of the fact that the Department has just reduced the latest F-35 purchase—what will be lot five—by five jets. Admiral Venlet concluded that even as the Pentagon negotiates with Lockheed Martin on lot five of the aircraft under the terms of a fixed-price contract, there is much "heavy learning" that remains in the program. Here is what Admiral Venlet said:

The analyzed hot spots that have arisen in the last 12 months or so in the program have surprised us at the amount of change and at the cost. Most of them are little ones, but when you bundle them all up and package them and look at where they are in the airplane and how hard they are to get at after you buy the jet, the cost burden of that is what sucks the wind out of your lungs. I believe it's wise to sort of temper production for a while here until we get some of these heavy years of learning under our belt and get that managed right. And when we've got most of that known and we've got the management of the change activity better in hand, then we will be in a better position to ramp up production.

Mr. President, 2001 was the year we decided to build this aircraft. So here we are 11 years later, and the manager of the program says, "And when we've got most of that known and we've got the management of the change activity better in hand, then we will be in a better position to ramp up production." I am not making this up. Admiral Venlet, who oversees the JSF Program for the Pentagon, is basically saying that even after the program was restructured 2 years ago by Secretary Gates to add \$7.3 billion and 33 more months to development, there is still too much concurrency baked into this program. In other words, the overlap between development and production is

still too great to assure taxpayers that they will not have to continue paying for costly redesigns or retrofits due to discoveries made late in production. In that context, ramping up production—even under the program's revised schedule—would not be a move in the right direction. I absolutely agree.

When the head of the most expensive, highest profile weapons system program in U.S. history effectively says: Hold it, we need to slow down how much we are buying, we should all pay close attention.

What does this mean in terms of the pending negotiations for the next production lot? As I said a few days ago during my opening remarks on Senate consideration of the fiscal year 2012 National Defense Authorization Act, I strongly support the Department's position. I think Admiral Venlet's concerns are completely consistent with the view reflected in the Senate Armed Services Committee's markup of the Defense authorization bill.

As we negotiate to buy more early production jets at a time when most of the developmental testing of the aircraft is yet to be done, Lockheed Martin must be held increasingly accountable for cost overruns that come as a result of wringing out necessary changes in the design and manufacturing process for this incredibly expensive weapons system. For this reason, the Department must negotiate a fixed-price contract for this next lot of aircraft that requires Lockheed Martin to assume fully any cost overruns. I expect that this contract negotiation will reflect unit costs that are lower than for the last lot purchased and that the contract will ensure shared responsibility for reasonable concurrency cost increases.

Put simply, the deal we negotiate on this next production lot must be at least as good, if not better, than the deal we negotiated under the previous one; otherwise, I can only conclude that we are moving in the wrong direction, and it will only be a matter of time before the American people and the Congress and our allies lose faith with the F-35 program, which is already the most expensive weapons program in history.

One thing is clear: The culprit is, among other things, excessive concurrency, which is overlap of trying to develop an advance aircraft at the same time as we buy production model aircraft intended for training and operations. The danger of excessive concurrency is the grand, enormously expensive lesson of the Joint Strike Fighter Program, a lesson we continue to overlook at our peril: Trying to execute a strategy for the acquisition of a major weapons system that has too much concurrency baked into it under a cost-type contract is absolutely a recipe for disaster.

In so many different aspects, the F-35 program truly represents a tragedy. The Air Force, Navy, and Marine Corps desperately need a new aircraft to take

the place of the current strike and fighter jets that have been at war for most of the last 10 years. These well-worn legacy aircraft are coming to the end of their service lives, but we are saddled with a program that has little to show for itself after 10 years and \$56 billion in taxpayer investment that has produced less than 20 test and operational aircraft, a bill for \$¾ billion, and the promise of considerable "heavy learning" yet to go.

Admiral Venlet's message last week clearly conveyed the path we are on is neither affordable nor sustainable. On that fact he and I are in total agreement. But that agreement provides very little solace. If things don't improve quickly, taxpayers and the warfighters will insist all options will be on the table, and they should be.

Mr. President, I came to the Senate floor today to talk specifically about the F-35 aircraft. I will be coming to the floor again on the whole issue of what is, unfortunately, a culture of corruption in the Pentagon as far as weapon systems acquisition is concerned. Time after time, with regard to the future combat system, the F-35, the shipbuilding, the littoral combat ship, there is story after story after story of cost overruns, of cancellation, of delays, of incredible cost to the taxpayer. We never should have gotten into it. We simply cannot afford to do it now. We have to reform the culture of corruption that pervades the Pentagon, and we must reform the way we acquire the weapons and the systems necessary to defend this Nation.

I am not saying there aren't success stories. Certainly, there are. MRAP is an example of a success story. But when we look at the tens of billions and billions of dollars that have been wasted on research and development on weapons systems that never got off the ground, when we look at what happened to the future combat systems, the littoral combat ship, now the F-35, there must be reform or the taxpayers and citizens of America will lose faith in our ability to defend this Nation at a cost that is reasonable in these extremely difficult economic times for all Americans.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. KYL. Mr. President, I ask unanimous consent the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KYL. Mr. President, I ask unanimous consent I be allowed to speak as in morning business for up to 15 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### PAYROLL TAX HOLIDAY

Mr. KYL. Mr. President, the reason I wish to speak is because there is a lot